
State: Arkansas **Filing Company:** American Modern Home Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Dwelling
Project Name/Number: Rate revision/20120501-03

Filing at a Glance

Company: American Modern Home Insurance Company
Product Name: Dwelling
State: Arkansas
TOI: 30.1 Dwelling Fire/Personal Liability
Sub-TOI: 30.1000 Dwelling Fire/Personal Liability
Filing Type: Rate
Date Submitted: 09/07/2012
SERFF Tr Num: AMMH-128676931
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: 20120501-03

Effective Date: 01/01/2013
Requested (New):
Effective Date: 01/15/2013
Requested (Renewal):
Author(s): Traci Burbage
Reviewer(s): Becky Harrington (primary)
Disposition Date: 09/21/2012
Disposition Status: Filed
Effective Date (New): 01/01/2013
Effective Date (Renewal): 01/15/2013

State Filing Description:

referred to Commissioner 9/12/12; meeting 9/14/12

State: Arkansas **Filing Company:** American Modern Home Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Dwelling
Project Name/Number: Rate revision/20120501-03

General Information

Project Name: Rate revision Status of Filing in Domicile:
Project Number: 20120501-03 Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 09/21/2012
State Status Changed: 09/14/2012 Deemer Date:
Created By: Traci Burbage Submitted By: Traci Burbage
Corresponding Filing Tracking Number: 20090420-01

Filing Description:

American Modern Home Insurance Company is submitting a rate revision for its Dwelling Programs.

Company and Contact

Filing Contact Information

Traci Burbage, Filing Analyst tburbage@amig.com
7000 Midland Blvd 800-759-9008 [Phone] 5934 [Ext]
Amelia, OH 45102

Filing Company Information

American Modern Home Insurance Company CoCode: 23469 State of Domicile: Ohio
7000 Midland Blvd. Group Code: 361 Company Type: Property and
Amelia, OH 45102 Group Name: Casualty
(800) 759-9008 ext. [Phone] FEIN Number: 31-0715697 State ID Number:

Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation:
Per Company: No

Company	Amount	Date Processed	Transaction #
American Modern Home Insurance Company	\$100.00	09/07/2012	62494899

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	09/21/2012	09/21/2012

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	09/14/2012	09/14/2012
No response necessary	Becky Harrington	09/12/2012	09/12/2012
Pending Industry Response	Becky Harrington	09/10/2012	09/10/2012

Response Letters

Responded By	Created On	Date Submitted
Traci Burbage	09/20/2012	09/20/2012
Traci Burbage	09/20/2012	09/20/2012
Traci Burbage	09/11/2012	09/11/2012

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Disposition

Disposition Date: 09/21/2012
Effective Date (New): 01/01/2013
Effective Date (Renewal): 01/15/2013
Status: Filed
Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
American Modern Home Insurance Company	14.900%	9.990%	\$42,586	659	\$426,284	10.830%	1.260%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		No
Supporting Document	H-1 Homeowners Abstract		No
Supporting Document	HPCS-Homeowners Premium Comparison Survey		No
Supporting Document (revised)	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC loss cost data entry document		Yes
Supporting Document	NAIC loss cost data entry document		Yes
Supporting Document	Indications	Filed	Yes
Supporting Document	Explanatory Memorandum	Filed	Yes
Rate (revised)	AR077DW	Filed	Yes
Rate	AR077DW		Yes

State: Arkansas **Filing Company:** American Modern Home Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Dwelling
Project Name/Number: Rate revision/20120501-03

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	09/14/2012
Submitted Date	09/14/2012
Respond By Date	

Dear Traci Burbage,

Introduction:

The requested rate change has been reviewed by the Commissioner.

Please amend the overall increase amount to 10%.

Provide revised manual pages.

Conclusion:

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,

Becky Harrington

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	09/20/2012
Submitted Date	09/20/2012

Dear Becky Harrington,

Introduction:

In response to your objection dated 9/14,

Response 1

Comments:

we revised the rate to meet the requested 10%.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: NAIC loss cost data entry document

Comment:

No Form Schedule items changed.

Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
AR077DW	DP1R-1	Replacement	
<i>Previous Version</i>			
AR077DW	DP1R-1	Replacement	

Conclusion:

Thank you

Sincerely,

Traci Burbage

State: Arkansas **Filing Company:** American Modern Home Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Dwelling
Project Name/Number: Rate revision/20120501-03

Objection Letter

Objection Letter Status	No response necessary
Objection Letter Date	09/12/2012
Submitted Date	09/12/2012
Respond By Date	

Dear Traci Burbage,

Introduction:

This will acknowledge receipt of the response dated 9/11/12.

This filing is being referred to the Commissioner for review due to the requested increase amount being greater than 6%. Please do not respond at this time.

Conclusion:

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,

Becky Harrington

State: Arkansas **Filing Company:** American Modern Home Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Dwelling
Project Name/Number: Rate revision/20120501-03

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	09/20/2012
Submitted Date	09/20/2012

Dear Becky Harrington,

Introduction:

no response

Response 1

Comments:

no response

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

no response

Sincerely,

Traci Burbage

State: Arkansas **Filing Company:** American Modern Home Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Dwelling
Project Name/Number: Rate revision/20120501-03

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	09/10/2012
Submitted Date	09/10/2012
Respond By Date	

Dear Traci Burbage,

Introduction:

This will acknowledge receipt of the captioned filing.

Objection 1

- NAIC loss cost data entry document (Supporting Document)

Comments: The 5-year history section should reflect information for the most recent 5-years, regardless of a rate change.

Please amend to include data for 2010 and 2011.

Objection 2

- NAIC loss cost data entry document (Supporting Document)

Comments: Please complete the expense provision section.

Conclusion:

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,

Becky Harrington

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	09/11/2012
Submitted Date	09/11/2012

Dear Becky Harrington,

Introduction:

In response to your objection dated 9/10,

Response 1

Comments:

please find the revised RF-1 attached

Related Objection 1

Applies To:

- NAIC loss cost data entry document (Supporting Document)

Comments: The 5-year history section should reflect information for the most recent 5-years, regardless of a rate change. Please amend to include data for 2010 and 2011.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: NAIC loss cost data entry document

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 2

Comments:

please find the revised RF-1 attached

Related Objection 2

Applies To:

- NAIC loss cost data entry document (Supporting Document)

Comments: Please complete the expense provision section.

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Changed Items:

Supporting Document Schedule Item Changes
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Satisfied -Name: NAIC loss cost data entry document

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Thank you!

Sincerely,

Traci Burbage

State: Arkansas **Filing Company:** American Modern Home Insurance Company
TOI/Sub-TOI: 30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability
Product Name: Dwelling
Project Name/Number: Rate revision/20120501-03

Post Submission Update Request Processed On 09/21/2012

Status: Allowed
Created By: Traci Burbage
Processed By: Becky Harrington
Comments: Overall reduced per Dept request

Company Rate Information:

Company Name: American Modern Home Insurance Company

Field Name	Requested Change	Prior Value
Overall % Rate Impact	9.990%	13.300%
Written Premium Change for this Program	\$42586	\$56696
Maximum %Change (where required)	10.830%	16.000%
Minimum %Change (where required)	1.260%	-3.100%

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Rate Information

Rate data applies to filing.

Filing Method:	File and Use
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	-0.030%
Effective Date of Last Rate Revision:	01/01/2012
Filing Method of Last Filing:	File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
American Modern Home Insurance Company	14.900%	9.990%	\$42,586	659	\$426,284	10.830%	1.260%

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 09/21/2012	AR077DW	DP1R-1	Replacement		AR077DW-A_DP1R-1.pdf

ARKANSAS
AMERICAN MODERN HOME INSURANCE COMPANY
DP1 PROGRAMS

OWNER OCCUPIED, RENTAL OCCUPIED AND SEASONAL OCCUPIED
DP1 Program (4V1/4V2/4V3)
Fire and Extended Coverage

Product	Flat Base Rate	Cov Relativity	Covg Incr	Base Rate per Incr	Min Prem Amount	Min Rate Value	Min Val Accept	UVRC Code
4V1	\$152.00	1	N/A	N/A	\$100	\$10,000	\$1,000	DU
4V2	\$163.37	1	N/A	N/A	\$100	\$10,000	\$1,000	DU
4V3	\$147.35	1	N/A	N/A	\$100	\$10,000	\$1,000	DU

Territory Relativity Table				
60	61	62	63	64
1.00	1.32	1.32	0.90	0.92

Construction Type Relativity Table	
Frame	Masonry
1.000	0.940

Protection Class Relativity Table									
Class	Factor	Class	Factor	Class	Factor	Class	Factor	Class	Factor
PC 1-3	1.000	PC 4-6	1.100	PC 7-8	1.500	PC 9	2.000	PC 10	2.400

Age of Home Relativity Table		
0-60 yrs	61-80 yrs	81 yrs & older
1.000	1.050	1.100

Age of Insured Relativity Table	
1-64 yrs	65 yrs & older
1.000	0.950

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	NAIC loss cost data entry document	Filed	09/21/2012
Comments:			
Attachment(s):			
AR 077 DW FORM RF-1 Rate Filing Abstract.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Indications	Filed	09/21/2012
Comments:			
Attachment(s):			
DP1_AR_077_3Q11_filing.pdf			

		Item Status:	Status Date:
Satisfied - Item:	Explanatory Memorandum	Filed	09/21/2012
Comments:			
Attachment(s):			
Cover Letter.pdf			

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	20120501-03
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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	Company Name		Company NAIC Number
3.	A.	American Modern Home	B. 23469

	Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A.	30.1	B. 30.1000

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
DP-1	14.9%	9.99%					
TOTAL OVERALL EFFECT	14.9%	9.99%					

6.

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2007	975	4.34%	12/1/07	647	341	52.7%	47.0%
2008	996	-1.15%	3/15/08	583	812	139.3%	47.8%
2009	881	5.51%	9/15/09	578	189	32.8%	41.5%
2010	764	0.00%	N/A	525	318	60.7%	42.6%
2011	690	-0.03%	1/1/12	473	300	63.4%	52.4%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	
B. General Expense	
C. Taxes, License & Fees	
D. Underwriting Profit & Contingencies	
E. Other (Reinsurance Expense)	
F. TOTAL	

8. N/A – this is not a Loss Cost Filing Apply Lost Cost Factors to Future filings? (Y or N)

9. 10.8% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): Territory 60

10. ----% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): Territory 60

PC RLC

U:LossCostDraft/DataEntry.doc

American Modern Home Insurance Company
Arkansas
Site Built Dwelling DP-1

Exhibit 1
Page 1

Proposed Effective Date: 1/1/2013

	Premium in Force at 9/30/2011	Premium in Force Distribution	Indication
Site Built Dwelling DP-1	\$455,969	100.0%	14.9%

Explanatory Memorandum

The purpose of the indication is to evaluate the rate level adequacy of the above captioned program in this state. In the evaluation, we take historical premiums and losses from our experience period and project them into a future effective period - our estimate of the time period the proposed rates will be in effect. Data shown is on a direct basis, and is organized on a 12 month rolling accident year basis.

Assumptions and Methodologies

1. On Exhibits 1 and 2 we show the overall rate level indication for this product. The data adjustments used and calculations are described in the following paragraphs.
2. Earned Premiums are adjusted to current rate levels by program and then trended using the factors described below.
 - a. Rate Level Adjustment Factors take into account any approved rate changes that have an impact on the experience period. Quarterly factors (rather than annual factors) are calculated to improve accuracy. We use the average policy term length of each program, and assume the premium is earned equally throughout experience quarters. The calculated factor reflects the final rate level divided by the average rate level for each quarter. These are weighted together to obtain the annual adjustments shown here. By applying this factor to past premium, the adjustment reflects the amount of premium earned at the current rate level. Exhibit 3 outlines the Rate Level History and Rate Level Adjustment Factors.
 - b. The Premium Trend projects the current level premium in our experience periods to the average date the proposed rates will be in effect. We estimate the change in premium values over time by fitting exponential curves to various periods of current level average earned premiums by program or coverage for the state. Historical and Prospective Premium Trend Factors are selected taking into consideration the number of years experience used in the indication. The Historical Trend selection is applied using a time period from the mid-point of the experience period to the midpoint of the latest quarter of data available. The Prospective Trend selection is applied using a time period starting where the historical factor ended to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 4.
3. Incurred Losses and ALAE are adjusted using the factors described below.
 - a. If appropriate for the indication in question, catastrophe losses are subtracted from the total losses and treated separately.
 - b. The Loss & ALAE Trend Factor projects the value of losses in our experience periods to the average date the proposed rates will be in effect. We estimate the change in loss values over time by fitting exponential curves to 5 years (20 groups of rolling 4 quarters) of Accident Year frequency and severity data. We select historical and prospective frequency and severity trends taking into consideration the number of years experience used in the indication. These are multiplied together to obtain the pure premium trend. The Historical Pure Premium Trend is applied using a time period from the mid-point of the experience period to the mid-point of the latest quarter of data used. The Prospective Pure Premium Trend is applied using a time period starting where the historical period ends, to the midpoint of the time the rates are anticipated to be in effect. Please see Exhibit 5.

Explanatory Memorandum

- c. Accident Year Incurred Losses & ALAE are used in the rate indication; therefore, losses for each year may not be fully developed. The Loss & ALAE Development Factor estimates the further development of these losses by analyzing historical patterns of American Modern Insurance Group non-catastrophe losses. We calculate quarterly factors and weight them together using each year's latest incurred losses to obtain annual numbers. Please see Exhibit 6.
 - d. A ULAE Factor is applied to the Incurred Loss & ALAE to obtain Incurred Losses & LAE. The factor is based on the latest year's ratio of historical ULAE to historical Incurred Loss & ALAE. Please see Exhibit 8.
 - e. The Catastrophe Load allows us to use a longer experience period to control our response to unpredictable large loss events. We rely on ISO to identify catastrophes. That definition is any event that causes a loss of at least \$25 million to the insurance industry and has a sufficient number of claims. Our adjustment involves removing such losses and applying a historical average. This provides incurred losses indicative of normal catastrophic activity for our experience period. Please see Exhibit 7 for a further description of the method used.
 - f. The Cat Factor is applied to the Trended, Adjusted Non-Cat IL & LAE to obtain the Catastrophe IL & LAE.
 - g. The Total Adjusted Incurred Loss and LAE is the sum of the Trended Adjusted IL & LAE Excl Cat and the Trended Adjusted Cat Incurred Loss & LAE .
- 4. The Adjusted Loss and LAE Ratio is the Total Trended Adjusted Incurred Loss & LAE divided by the Trended Current Level Earned Premium.
 - 5. Normally, Accident Year weights are judgmentally selected to place greater weight on the more recent year's experience. However, when a program is growing rapidly, accident year weights may be based on Earned Premiums to avoid having an earlier year affecting the indication more than it should. Consideration may also be given to using even weights on all years when the Adjusted Loss and LAE Ratio are extremely volatile by year.
 - 6. The Weighted Experience Loss and LAE Ratio is the weighted average of the individual years Adjusted Loss and LAE Ratios and the Accident Year Weights.

Explanatory Memorandum

7. The Permissible Loss and LAE Ratio Fixed Expense Ratio and Variable Permissible Loss Ratio Calculations may be found in Exhibit 9. This calculation includes determination of a profit provision.
 - a. The derivation of the Pre-Paid Commissions and Taxes, Licenses and Fees may be found at the bottom of this exhibit. Other Acquisition and General Expenses are based on Countrywide, Company Data for the Program being evaluated. The Reinsurance Expense is designed to cover the cost of our catastrophe and excess of loss experience contracts. It is a gross provision determined by reinsurance premium minus estimated reinsurance recoveries.
 - b. The Profit Provision is based on a 15% Targeted After Tax Return on Equity and a 1.8:1 Targeted Premium to Surplus Ratio.
 - c. Return on Investment Income is based on the Clifford/Sterling Formula. This calculation, and an explanation of the calculation, may be found in Exhibit 10.
8. The Complement of Credibility is the Trended Permissible Loss Ratio. A Loss Ratio Trend is determined based on the prospective premium and loss trends. A time exponent based on the time from our last revision to the proposed effective date, capped at 1 years, is applied. Exhibit 11 contains the calculations.
9. Credibility is based on the square root rule, with full credibility at 25000 Earned Exposures.
10. The Credibility Weighted Loss and LAE Ratio is calculated by credibility weighting the Weighted Experience Loss & LAE Ratio and the Complement of Credibility - Trended Permissible.
11. The Indicated Rate Level Change is calculated as the $((\text{Credibility Weighted Loss \& LAE Ratio} + \text{Fixed Expense Ratio}) / \text{Variable Expense Ratio}) - 1$

American Modern Home Insurance Company
Arkansas
Site Built Dwelling DP-1

Exhibit 2
Page 1

Rate Level Indications

	Accident Year Ending				
	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011
(1) Earned Exposures	1,151	958	950	841	747
(2) Earned Premium	687,690	567,310	583,940	528,742	482,177
(3) Rate Level Adjustment Factor	1.086	1.073	1.053	1.025	1.000
(4) Current Level Earned Premium	747,017	608,905	615,090	541,782	482,019
(5) Premium Trend Factor	1.006	1.004	1.001	0.999	0.997
(6) Trended Current Level Earned Premium	751,499	611,341	615,705	541,240	480,572
(7) Total Incurred Losses & ALAE	306,386	748,862	259,746	320,096	322,113
(8) Catastrophe Incurred Losses and ALAE	3,198	532,208	33,947	4,225	106,004
(9) IL & ALAE Excl Cat	303,188	216,654	225,799	315,871	216,109
(10) Incurred Loss & ALAE Trend Factor	1.286	1.239	1.194	1.150	1.108
(11) Incurred Loss & ALAE Development Factor	1.000	0.999	0.994	0.993	1.042
(12) ULAE Factor (to IL & ALAE)	1.015	1.015	1.015	1.015	1.015
(13) Trended Adjusted IL & LAE Excl Cat	395,748	272,188	272,007	366,120	253,248
(14) Catastrophe Factor	0.206	0.206	0.206	0.206	0.206
(15) Trended Adjusted Cat Incurred Loss & LAE	81,524	56,071	56,033	75,421	52,169
(16) Total Trended Adjusted Incurred Loss & LAE	477,272	328,259	328,040	441,541	305,417
(17) Adjusted Loss & LAE Ratio *	0.635	0.537	0.533	0.816	0.636
(18) Accident Year Weights	0.10	0.15	0.20	0.25	0.30
(19) Non-Catastrophe Reported Claim Counts	43	63	64	44	61
(20) Weighted Experience Loss & LAE Ratio					0.645
(21) Permissible Loss & LAE Ratio					0.498
(22) Fixed Expense Ratio					0.005
(23) Variable Expense Ratio					0.497
(24) Complement of Credibility - Trended Permissible					0.518
(25) Credibility (Square Root Rule, Full Credibility = 25000 Earned Exposures)					0.431
(26) Credibility Weighted Loss & LAE Ratio					0.573
(27) Credibility Weighted Indicated Rate Level Change					14.9%

Rate History

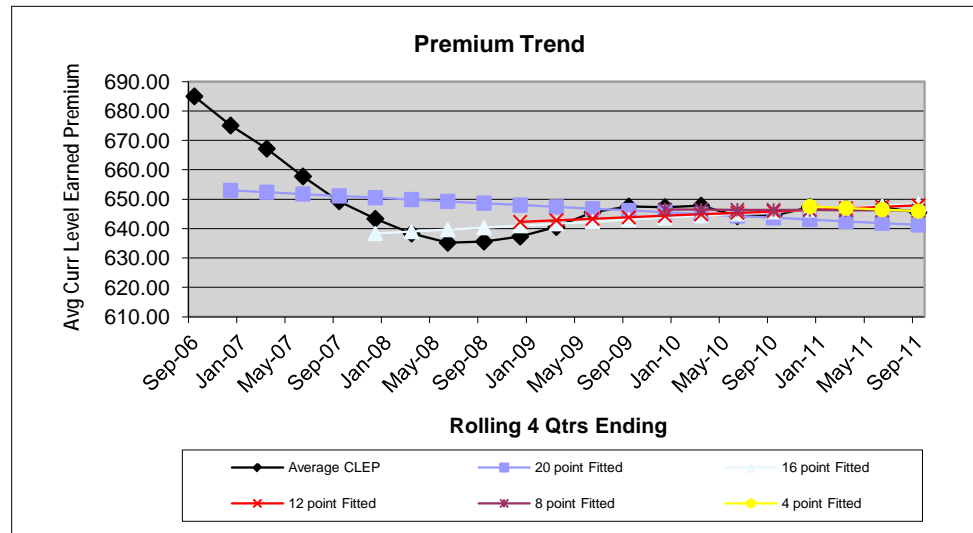
Rate Changes	
Effective Date	DP-1
12/24/2011	0.0%
9/15/2009	5.5%
4/15/2008	-1.2%
12/15/2007	4.3%

Rate Level Adjustment Factor	
Accident Year Ending	DP-1
9/30/2007	1.086
9/30/2008	1.073
9/30/2009	1.053
9/30/2010	1.025
9/30/2011	1.000

Premium Trend

4 Qtrs Ending	Current Level Earned Premium	Earned Exposures	Average CLEP	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
9/30/2006	1,066,457	1,557	684.95					
12/31/2006	980,955	1,453	675.04	652.97				
3/31/2007	895,739	1,343	667.14	652.35				
6/30/2007	814,276	1,238	657.72	651.72				
9/30/2007	747,017	1,151	649.27	651.10				
12/31/2007	689,846	1,072	643.31	650.48	638.30			
3/31/2008	646,171	1,012	638.30	649.85	638.97			
6/30/2008	619,995	976	635.16	649.23	639.64			
9/30/2008	608,905	958	635.57	648.61	640.31			
12/31/2008	613,277	962	637.26	647.99	640.98	642.27		
3/31/2009	619,375	967	640.51	647.37	641.65	642.78		
6/30/2009	621,068	962	645.52	646.75	642.32	643.29		
9/30/2009	615,090	950	647.49	646.13	642.99	643.80		
12/31/2009	600,227	927	647.26	645.52	643.66	644.32	646.49	
3/31/2010	583,297	900	647.78	644.90	644.34	644.83	646.43	
6/30/2010	560,912	871	644.18	644.28	645.01	645.34	646.38	
9/30/2010	541,782	841	644.36	643.66	645.68	645.86	646.32	
12/31/2010	524,970	811	647.26	643.05	646.36	646.37	646.26	647.45
3/31/2011	509,116	787	646.82	642.43	647.04	646.89	646.21	646.94
6/30/2011	496,016	766	647.26	641.82	647.71	647.40	646.15	646.43
9/30/2011	482,019	747	645.42	641.21	648.39	647.92	646.10	645.92

Annual Premium Trend	
20 point fit	-0.4%
16 point fit	0.4%
12 point fit	0.3%
8 point fit	0.0%
4 point fit	-0.3%
Historical Selected	0.2%
Prospective Selected	-0.2%



Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
9/30/2007	3/31/2007	8/15/2011	4.375	8/15/2011	1/1/2014	2.378	1.006
9/30/2008	3/31/2008	8/15/2011	3.375	8/15/2011	1/1/2014	2.378	1.004
9/30/2009	3/31/2009	8/15/2011	2.375	8/15/2011	1/1/2014	2.378	1.001
9/30/2010	3/31/2010	8/15/2011	1.375	8/15/2011	1/1/2014	2.378	0.999
9/30/2011	3/31/2011	8/15/2011	0.375	8/15/2011	1/1/2014	2.378	0.997

Loss Trend

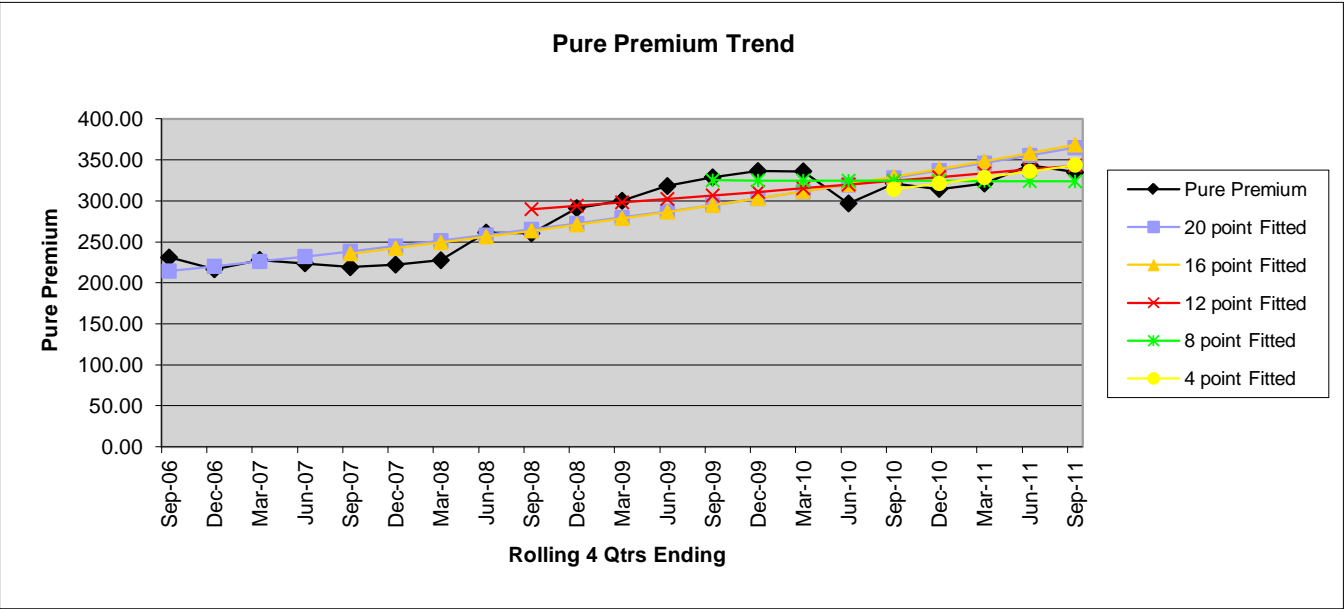
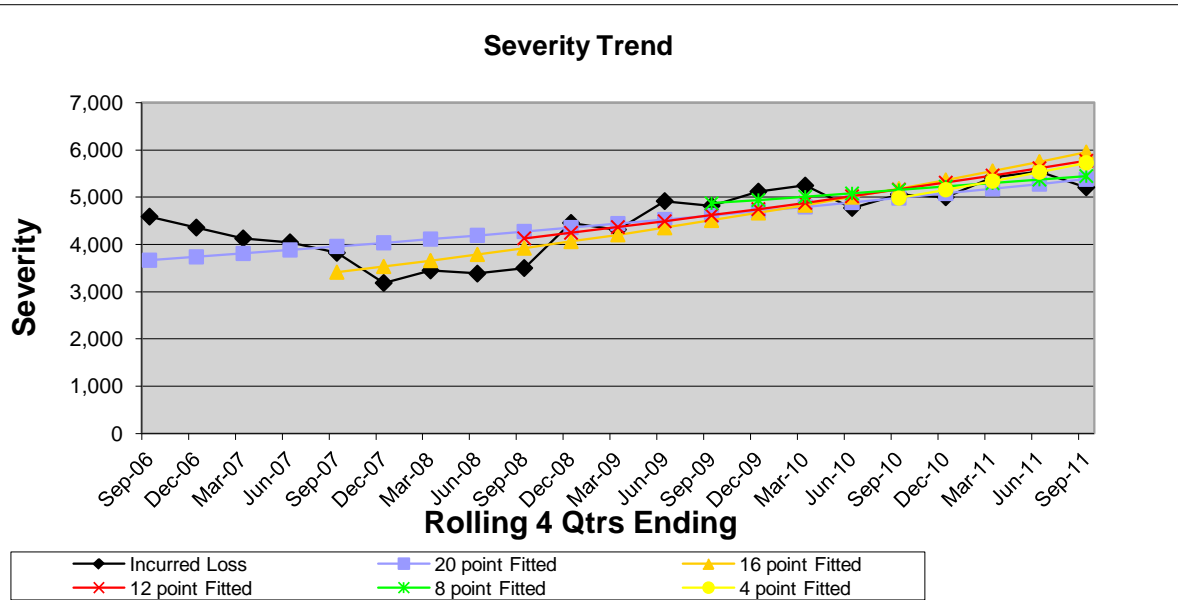
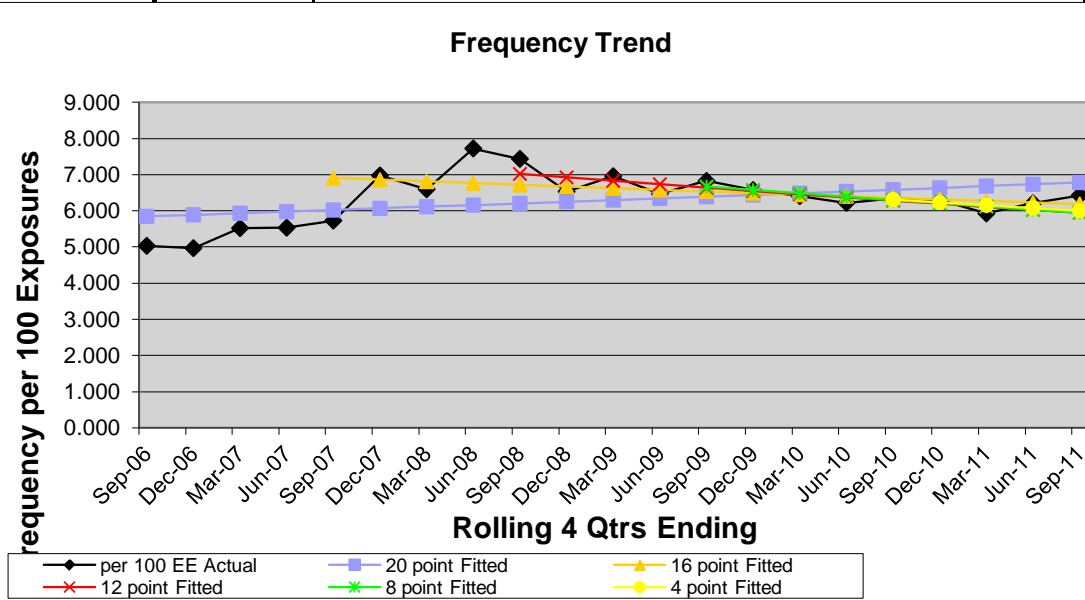
Loss Trend Based on Central Region - American Modern Insurance Group Data Excluding Catastrophe Losses

Accident Period 4 Qtrs Ending	Ultimate Reported Claim Counts	Ultimate Non-Cat Incurred Loss & ALAE	Earned Exposures	Frequency					Severity						
				Frequency per 100 EE Actual	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted	Average Incurred Loss	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
9/30/2006	948	4,350,805	18,839	5.033	5.847					4,589	3,666				
12/31/2006	919	4,005,549	18,500	4.969	5.891					4,357	3,737				
3/31/2007	1,006	4,154,748	18,226	5.522	5.935					4,128	3,810				
6/30/2007	994	4,019,790	17,957	5.534	5.979					4,045	3,883				
9/30/2007	1,013	3,871,709	17,676	5.730	6.024	6.904				3,823	3,958	3,413			
12/31/2007	1,214	3,867,356	17,402	6.977	6.069	6.857				3,185	4,035	3,534			
3/31/2008	1,132	3,906,284	17,166	6.596	6.114	6.810				3,450	4,113	3,659			
6/30/2008	1,319	4,461,836	17,073	7.724	6.159	6.764				3,383	4,193	3,789			
9/30/2008	1,273	4,456,273	17,118	7.436	6.205	6.718	7.021			3,501	4,274	3,923	4,130		
12/31/2008	1,130	5,034,243	17,293	6.534	6.251	6.672	6.924			4,455	4,357	4,061	4,246		
3/31/2009	1,215	5,243,584	17,472	6.957	6.298	6.626	6.829			4,314	4,441	4,205	4,366		
6/30/2009	1,141	5,609,410	17,633	6.470	6.345	6.581	6.735			4,917	4,527	4,354	4,490		
9/30/2009	1,216	5,855,065	17,811	6.825	6.392	6.536	6.642	6.674		4,816	4,615	4,508	4,617	4,871	
12/31/2009	1,186	6,071,880	18,049	6.573	6.440	6.491	6.551	6.579		5,118	4,704	4,667	4,747	4,939	
3/31/2010	1,181	6,195,518	18,434	6.407	6.488	6.447	6.461	6.484		5,246	4,795	4,832	4,882	5,009	
6/30/2010	1,185	5,655,687	19,048	6.221	6.536	6.403	6.372	6.391		4,773	4,888	5,003	5,020	5,079	
9/30/2010	1,257	6,360,943	19,802	6.346	6.585	6.359	6.284	6.300	6.308	5,062	4,982	5,180	5,162	5,150	4,981
12/31/2010	1,301	6,503,409	20,679	6.292	6.634	6.315	6.198	6.210	6.230	4,999	5,079	5,364	5,308	5,223	5,158
3/31/2011	1,282	6,943,689	21,621	5.928	6.683	6.272	6.113	6.121	6.153	5,418	5,177	5,554	5,458	5,296	5,341
6/30/2011	1,405	7,776,504	22,621	6.210	6.733	6.229	6.028	6.033	6.077	5,536	5,277	5,750	5,612	5,371	5,531
9/30/2011	1,534	7,986,149	23,856	6.428	6.783	6.187	5.946	5.946	6.002	5,208	5,379	5,953	5,771	5,446	5,727

Accident Period 4 Qtrs Ending	Pure Premium					
	Pure Premium	20 point Fitted	16 point Fitted	12 point Fitted	8 point Fitted	4 point Fitted
9/30/2006	230.94	214.38				
12/31/2006	216.51	220.16				
3/31/2007	227.95	226.09				
6/30/2007	223.86	232.19				
9/30/2007	219.03	238.44	235.67			
12/31/2007	222.23	244.87	242.34			
3/31/2008	227.56	251.47	249.20			
6/30/2008	261.34	258.24	256.25			
9/30/2008	260.32	265.20	263.50	289.93		
12/31/2008	291.12	272.35	270.96	294.03		
3/31/2009	300.11	279.69	278.63	298.18		
6/30/2009	318.12	287.23	286.51	302.39		
9/30/2009	328.73	294.97	294.62	306.67	325.08	
12/31/2009	336.41	302.92	302.96	311.00	324.93	
3/31/2010	336.09	311.08	311.54	315.39	324.77	
6/30/2010	296.91	319.47	320.35	319.85	324.62	
9/30/2010	321.23	328.08	329.42	324.37	324.47	314.22
12/31/2010	314.50	336.92	338.74	328.95	324.32	321.35
3/31/2011	321.15	346.00	348.33	333.60	324.17	328.65
6/30/2011	343.78	355.32	358.19	338.31	324.02	336.10
9/30/2011	334.76	364.90	368.33	343.09	323.86	343.73

Annual Loss Trend			
	Frequency	Severity	Pure Premium
20 point fit	3.0%	8.0%	11.2%
16 point fit	-2.7%	14.9%	11.8%
12 point fit	-5.4%	11.8%	5.8%
8 point fit	-5.6%	5.7%	-0.2%
4 point fit	-4.9%	15.0%	9.4%
Historical Selected	-3.0%	7.0%	3.8%
Prospective Selected	-3.0%	7.0%	3.8%

Accident Year Ending	Trend Period						Trend Factor
	Historical			Prospective			
	Beginning	End	Time(Yrs)	Beginning	End	Time(Yrs)	
9/30/2007	3/31/2007	5/15/2011	4.125	5/15/2011	1/1/2014	2.628	1.286
9/30/2008	3/31/2008	5/15/2011	3.125	5/15/2011	1/1/2014	2.628	1.239
9/30/2009	3/31/2009	5/15/2011	2.125	5/15/2011	1/1/2014	2.628	1.194
9/30/2010	3/31/2010	5/15/2011	1.125	5/15/2011	1/1/2014	2.628	1.150
9/30/2011	3/31/2011	5/15/2011	0.125	5/15/2011	1/1/2014	2.628	1.108



American Modern Home Insurance Company
Arkansas
Site Built Dwelling DP-1

Loss & ALAE Development

Data shown is Countrywide Consolidated American Modern Insurance Group SB DP-1

Cumulative Incurred Loss and ALAE Development

Accident Qtr Ending	Development Age																			
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60
Dec-05	5,527,261	6,052,915	6,271,708	6,346,442	6,520,891	6,439,543	6,357,994	6,480,602	6,516,545	6,181,984	6,175,469	6,181,961	6,148,261	6,145,472	6,137,944	6,141,729	6,213,790	6,213,990	6,236,344	6,172,758
Mar-06	6,091,875	6,094,999	5,975,708	5,972,087	6,384,663	6,395,009	6,472,657	6,366,578	6,318,002	6,202,564	6,181,286	6,181,424	6,255,822	6,255,822	6,207,960	6,087,814	6,087,814	6,070,938	6,089,157	6,079,373
Jun-06	5,120,798	5,387,897	5,210,767	5,385,633	5,293,493	5,345,536	5,301,115	5,304,236	5,309,343	5,309,169	5,587,169	5,538,029	5,538,029	5,383,170	5,380,972	5,380,972	5,381,972	5,381,472	5,382,629	5,382,629
Sep-06	5,666,588	5,475,350	5,524,300	5,468,576	5,838,630	5,872,143	5,851,860	5,907,771	5,934,195	5,944,846	5,949,846	5,945,635	5,820,196	5,811,491	5,795,257	5,791,898	5,792,358	5,794,584	5,794,584	5,794,584
Dec-06	5,295,254	5,648,707	5,617,729	5,634,882	5,731,751	5,809,583	5,810,199	5,781,337	5,723,295	5,687,702	5,685,981	5,686,552	5,688,142	5,627,198	5,664,998	5,664,998	5,663,408	5,650,799	5,651,119	5,651,319
Mar-07	6,608,339	6,718,911	6,825,824	6,767,169	6,663,872	6,651,717	6,541,874	6,649,761	6,607,426	6,607,426	6,657,426	6,605,159	6,596,421	6,488,111	6,523,499	6,480,648	6,468,567	6,468,567	6,468,567	
Jun-07	6,118,648	5,949,688	6,063,238	5,779,105	5,584,084	5,623,803	5,624,489	5,571,102	5,627,358	5,611,215	5,616,215	5,616,096	5,616,657	5,663,123	5,664,986	5,664,986	5,696,173	5,661,173		
Sep-07	5,241,063	5,632,071	5,458,353	5,392,461	5,392,990	5,345,945	5,479,102	5,425,075	5,425,166	5,237,022	5,208,255	5,208,415	5,189,420	5,208,473	5,208,633	5,208,633	5,208,793			
Dec-07	4,380,754	4,763,476	4,904,965	4,997,828	4,825,925	4,953,560	4,893,110	4,924,937	5,043,405	5,052,828	5,013,741	5,017,467	5,013,827	4,999,055	4,954,044	4,954,044				
Mar-08	5,901,553	5,966,341	6,010,908	5,928,052	5,749,880	5,798,374	5,832,858	5,835,626	5,820,873	5,822,968	5,798,736	5,796,993		5,695,263						
Jun-08	5,833,649	6,066,629	6,144,766	6,356,021	6,419,181	6,391,425	6,371,437	6,379,806	6,334,934	6,338,309	6,338,749	6,309,599	6,311,864	6,311,864						
Sep-08	6,634,506	6,358,779	6,643,771	6,614,928	6,974,743	6,960,242	6,946,411	7,068,113	7,153,109	7,110,489	7,025,382	7,014,703	6,915,121							
Dec-08	5,961,729	6,503,395	6,515,505	6,736,656	6,691,372	6,803,772	6,741,890	6,752,197	6,666,331	6,800,170	6,794,804	6,807,522								
Mar-09	7,259,942	7,718,216	8,209,137	8,448,714	8,754,679	9,119,399	9,045,555	8,948,499	8,707,080	8,720,463	8,779,156									
Jun-09	6,298,765	6,331,261	6,428,732	6,554,280	6,564,970	6,567,826	6,594,505	6,646,711	6,798,665	6,762,514										
Sep-09	6,158,393	6,519,730	6,818,354	7,112,893	7,092,383	7,153,997	7,117,469	7,097,174	7,087,292											
Dec-09	5,860,664	6,188,993	6,118,589	6,050,532	6,156,419	6,178,449	6,144,872	6,048,052												
Mar-10	6,833,030	7,479,801	7,551,307	7,371,207	7,354,414	7,376,845	7,450,580													
Jun-10	6,295,815	6,643,147	6,702,446	6,728,702	6,731,330	6,779,258														
Sep-10	7,318,223	7,508,350	7,692,187		8,133,081															
Dec-10	7,305,686	7,704,420	8,494,069	9,006,756																
Mar-11	8,378,199	8,979,014	9,375,737																	
Jun-11	8,744,317	9,278,356																		
Sep-11	6,454,244																			

Historical Development Factors

Accident Qtr Ending																				
	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63
Dec-05	1.095	1.036	1.012	1.027	0.988	0.987	1.019	1.006	0.949	0.999	1.001	0.995	1.000	0.999	1.001	1.012	1.000	1.004	0.990	1.004
Mar-06	1.001	0.980	0.999	1.069	1.002	1.012	0.984	0.992	0.982	0.997	1.000	1.012	1.000	0.992	0.981	1.000	0.997	1.003	0.998	1.009
Jun-06	1.052	0.967	1.034	0.983	1.010	0.992	1.001	1.001	1.000	1.052	0.991	1.000	0.972	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Sep-06	0.966	1.009	0.990	1.068	1.006	0.997	1.010	1.004	1.002	1.001	0.999	0.979	0.999	0.997	0.999	1.000	1.000	1.000	1.000	1.000
Dec-06	1.067	0.995	1.003	1.017	1.014	1.000	0.995	0.990	0.994	1.000	1.000	1.000	0.989	1.007	1.000	1.000	0.998	1.000	1.000	
Mar-07	1.017	1.016	0.991	0.985	0.998	0.983	1.016	0.994	1.000	1.008	0.992	0.999	0.984	1.005	0.993	0.998	1.000	1.000		
Jun-07	0.972	1.019	0.953	0.966	1.007	1.000	0.991	1.010	0.997	1.001	1.000	1.000	1.008	1.000	1.000	1.006	0.994			
Sep-07	1.075	0.969	0.988	1.000	0.991	1.025	0.990	1.000	0.965	0.995	1.000	0.996	1.004	1.000	1.000	1.000				
Dec-07	1.087	1.030	1.019	0.966	1.026	0.988	1.007	1.024	1.002	0.992	1.001	0.999	0.997	0.991	1.000					
Mar-08	1.011	1.007	0.986	0.970	1.008	1.006	1.000	0.997	1.000	0.996	1.000	0.983	0.999	1.000						
Jun-08	1.040	1.013	1.034	1.010	0.996	0.997	1.001	0.993	1.001	1.000	0.995	1.000	1.000							
Sep-08	0.958	1.045	0.996	1.054	0.998	0.998	1.018	1.012	0.994	0.988	0.998	0.986								
Dec-08	1.091	1.002	1.034	0.993	1.017	0.991	1.002	0.987	1.020	0.999	1.002									
Mar-09	1.063	1.064	1.029	1.036	1.042	0.992	0.989	0.973	1.002	1.007										
Jun-09	1.005	1.015	1.020	1.002	1.000	1.004	1.008	1.023	0.995											
Sep-09	1.059	1.046	1.043	0.997	1.009	0.995	0.997	0.999												
Dec-09	1.056	0.989	0.989	1.018	1.004	0.995	0.984													
Mar-10	1.095	1.010	0.976	0.998	1.003	1.010														
Jun-10	1.055	1.009	1.004	1.000	1.007															
Sep-10	1.026	1.024	1.042	1.015																
Dec-10	1.055	1.102	1.060																	
Mar-11	1.072	1.044																		
Jun-11	1.061																			

Averages	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	66 to Ult
4 Qtrs Average	1.054	1.045	1.021	1.008	1.006	1.001	0.995	0.996	1.003	0.999	0.999	0.992	1.000	0.998	0.998	1.001	0.998	1.000	1.000	1.003		
8 Qtrs Average	1.060	1.030	1.020	1.007	1.010	0.998	1.000	1.001	0.997	0.997	0.999	0.995	0.998	1.000	0.997	1.002						
12 Qtrs Average	1.050	1.030	1.018	1.005	1.008	1.000	1.000	1.000	0.998	1.003	0.998	0.996										
8 Qtrs Average ex H/L	1.060	1.025	1.021	1.005	1.007	0.997	1.000	1.002	0.999	0.997	0.999	0.997	0.998	1.000	0.999	1.001						
8 Qtrs Vol Weighted	1.060	1.032	1.022	1.008	1.011	0.998	1.000	0.999	0.998	0.998	0.998	0.995	0.997	1.000	0.996	1.002						
12 Qtrs Vol Weighted	1.050	1.032	1.019	1.007	1.009	1.000	1.000	0.999	0.998	1.003	0.998	0.996										
12 Qtr Avg ex H/L	1.052	1.027	1.018	1.004	1.007	0.999	1.000	1.001	0.999	1.000	0.999	0.996										

Selected Factors	3 to 6	6 to 9	9 to 12	12 to 15	15 to 18	18 to 21	21 to 24	24 to 27	27 to 30	30 to 33	33 to 36	36 to 39	39 to 42	42 to 45	45 to 48	48 to 51	51 to 54	54 to 57	57 to 60	60 to 63	63 to 66	66 to Ult
Age to Age Factors	1.060	1.025	1.020	1.007	1.007	0.998	1.000	1.001	0.999	0.997	0.999	0.997	1.000	1.000	0.999	1.001	0.999	1.001	1.000	1.001	1.000	0.999

	3 to Ult	6 to Ult	9 to Ult	12 to Ult	15 to Ult	18 to Ult	21 to Ult	24 to Ult	27 to Ult	30 to Ult	33 to Ult	36 to Ult	39 to Ult	42 to Ult	45 to Ult	48 to Ult	51 to Ult	54 to Ult	57 to Ult	60 to Ult	63 to Ult	66 to Ult
Quarterly Age to Ultimate Factors	1.112	1.049	1.024	1.003	0.996	0.990	0.992	0.992	0.991	0.992	0.995	0.996	0.999	0.999	0.999	1.000	0.999	1.000	1.000	1.000	0.999	0.999

American Modern Home Insurance Company
Arkansas
Site Built Dwelling DP-1
All Classes

Exhibit 7

Page 1

Catastrophe Factor

Data shown is Arkansas American Modern Insurance Group - Site Built Dwelling DP-1

Accident Year Ending	(1) Catastrophe Losses*	(2) All Losses*	(3)=(2)-(1) All Losses* Less Catastrophe	(4)=(1)/(3) Catastrophe Ratio	(5) Capped Catastrophe Ratio **	(6)=(4)-(5) Excess Spread to 50 Years
9/30/1992	1,457	29,751	28,294	0.051	0.051	0.000
9/30/1993	-	188,050	188,050	0.000	0.000	0.000
9/30/1994	4,407	330,689	326,283	0.014	0.014	0.000
9/30/1995	7,956	276,778	268,822	0.030	0.030	0.000
9/30/1996	18,084	120,137	102,053	0.177	0.177	0.000
9/30/1997	50,599	183,351	132,752	0.381	0.381	0.000
9/30/1998	3,260	218,602	215,343	0.015	0.015	0.000
9/30/1999	88,809	176,059	87,250	1.018	1.018	0.000
9/30/2000	3,191	93,251	90,061	0.035	0.035	0.000
9/30/2001	5,375	113,689	108,313	0.050	0.050	0.000
9/30/2002	7,650	118,222	110,572	0.069	0.069	0.000
9/30/2003	8,241	804,592	796,351	0.010	0.010	0.000
9/30/2004	45,640	361,671	316,031	0.144	0.144	0.000
9/30/2005	11,934	364,352	352,417	0.034	0.034	0.000
9/30/2006	54,241	329,104	274,863	0.197	0.197	0.000
9/30/2007	3,198	414,454	411,256	0.008	0.008	0.000
9/30/2008	754,068	1,201,430	447,362	1.686	1.058	0.628
9/30/2009	116,248	427,658	311,410	0.373	0.373	0.000
9/30/2010	25,499	561,243	535,744	0.048	0.048	0.000
9/30/2011	169,310	745,604	576,293	0.294	0.294	0.000

Weighted Average*** 0.206

Selected Catastrophe Factor: 0.206

-

* Losses shown are Undeveloped Accident Year Incurred Losses and ALAE.

*** Capped at 1.058 (2 standard deviations above the mean) with excess spread to 50 years.

American Modern Home Insurance Company
Arkansas
Site Built Dwelling DP-1

Exhibit 8

Unallocated Loss Adjustment Expense

The ULAE Factor is calculated as a ratio to Incurred Loss and ALAE and is considered in the "loss" side of the indication.

Consolidated American Modern Insurance Group Data

Calendar Year	2008	2009	2010
ULAE Incurred	11,747,762	12,288,732	8,611,126
Adjusted Loss and ALAE Incurred	584,440,974	521,315,563	501,701,035
Ratio of ULAE to Incurred Loss & ALAE	2.0%	2.4%	1.7%
5 Year Average			3.0%
2 Year Average			2.0%
Selected ULAE Factor			1.015

Determination of Permissible Loss Ratio

	2008	2009	2010	Budget 2011	Selected	Fixed Expense %	Fixed Expenses	Variable Expenses
(1) Pre-Paid Commissions	18.2%	18.7%	18.4%		18.4%		0.0%	18.4%
(2) Contingent Commissions	1.9%	2.9%	1.9%	1.6%	1.6%		0.0%	1.6%
(3) Other Acquisition Expense	4.8%	4.9%	4.4%	4.7%	4.7%	0%	0.0%	4.7%
(4) General Expense	13.0%	13.1%	11.5%	11.7%	11.7%	0%	0.0%	11.7%
(5) Taxes, Licenses and Fees	3.4%	2.7%	2.9%		3.0%		0.0%	3.0%
(6) Reinsurance Expense				0.5%	0.5%	100%	0.5%	0.0%
(7) Total Expense					39.9%			
Profit Loading Provision								
(8a) After Tax Return on Equity Goal				15.0%				
(8b) Target Premium to Surplus Ratio				1.8:1				
(8c) After Tax Return on Premium [(a)/(b)]				8.3%				
(8d) After Tax Return Generated by Inv Income				1.6%				
(8e) After Tax Return Needed From Underwriting Profit [(c) - (d)]				6.7%				
(8f) Before Tax Return Needed from Underwriting Profit [(e)/(1.00 - .35)]				10.3%				
(8g) Selected Profit Provision					10.3%		0.0%	10.3%
(9) Total Expenses and Profit Provision [(7) + (8)]					50.2%			
(10) Permissible Loss & LAE Ratio [(1.000 - (9))					49.8%			
(11) Fixed Expense Ratio							0.5%	
(12) Variable Permissible Loss Ratio								50.3%

Data applied to calculate commission ratio:	2008	2009	2010
AMH Arkansas Site Built Dwelling DP-1 Written Premium	588,560	542,870	486,818
AMH Arkansas Site Built Dwelling DP-1 Paid Commission	107,031	101,652	89,361

Data applied to calculate Taxes, Licenses and Fees:	2008	2009	2010
AMH Arkansas Written Premium from all AS Lines	13,335,305	14,724,953	15,459,676
AMH Arkansas Taxes, Licenses and Fees from all AS Lines	450,733	390,211	440,601

Investment Income Calculation

Estimated Investment Earnings on Unearned Premium and Loss Reserves

A. Unearned Premium Reserve		
(1)	Direct Earned Premium for 2010	\$ 456,584,843
(2)	Mean Unearned Premium Reserve Ratio	42.4%
(3)	Mean Unearned Premium Reserve (1) x (2)	\$ 193,791,255
(4)	Deduction for Prepaid Expenses and Federal Taxes Payable	
(a)	Commission	20.0%
(b)	50% of Other Acquisition	2.4%
(c)	50% of General Expenses	5.9%
(d)	Taxes, Licenses, and Fees	3.0%
(e)	Reinsurance Expense	0.5%
(f)	Subtotal	31.7%
(g)	Federal Taxes Payable	7.0%
(4T)	Total Deductions	38.7%
(5)	Unearned Premium Reserve Subject to Investment (3) x [1.0 - (4T)]	\$ 118,794,039
B. Delayed Remission of Premium (Agent's Balances)		
(1)	Agent's Balance or Uncollected Premium to Unearned Premium	
(a)	Average Agent's Balance	\$ 138,852,695
(b)	Direct Unearned Premium 2010 (All Lines)	\$ 504,115,494
(c)	Ratio (a) / (b)	27.5%
(d)	Direct Unearned Premium 2010 (ASLOB 1 & 2.1 - Fire & Allied Lines)	\$ 163,985,086
(2)	Delayed Remission (1c) x (1d)	\$ 45,167,767
C. Loss and Loss Adjustment Expense Reserve		
(1)	Expected Loss and Loss Adjustment Expense Ratio	49.8%
(2)	Expected Losses and Loss Adjustment Expenses (A.1) x (C.1)	\$ 227,379,252
(3)	Percent of Mean Loss & ALAE Reserves to Incurred Loss & ALAE	
(a)	2010 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	33.4%
(b)	2009 Mean Loss & ALAE Reserve to Incurred Loss & ALAE Ratio	41.0%
(c)	Average of Mean Loss Reserve to Incurred Loss Ratios $1/2 \times [(a) + (b)]$	37.2%
(4)	Expected Mean Loss Reserves (2) x (3c) x .958	\$ 81,041,382
D. Net Subject to Investment		\$ 154,667,654
(A.5) - (B.2) + (C.4)		
E. Before Tax Rate of Return		2.5%
[Exhibit 10, Page 2]		
F. Average Rate of Return as a % of Direct Earned Premium		0.8%
[(D) x (E)] / (A.1)]		
G. Before Tax Investment Income Return (Including Surplus)		2.2%
(F) + [(E) x (1.0/Premium to Surplus Ratio)]		
H. After Tax Average Rate of Return as a Percent of Direct Earned Premium		
(1)	Average Federal Tax Rate on Inv. Inc. (Exhibit 10, Page 2)	27.4%
(2)	After Tax Return Generated by Investment Income (G) x [1.0 - (H.1)]	1.6%

Investment Income Calculation

Average Federal Tax Rate on Investment Income

	(1) Investment Income 2008 - 2010 (A)	(2) Allocation	(3) Current Tax Rate (B)	(4) Total Tax (2)x(3)
Bonds				
- Taxable	\$65,596,168	68.6%	35.0%	24.0%
- Tax Exempt Municipal	\$19,660,466	20.6%	5.3%	1.1%
Stocks				
- Acquired Prior to 1987	\$0	0.0%	10.5%	0.0%
- Acquired After 1987	\$6,912,866	7.2%	14.2%	1.0%
Short Term Investments	\$3,488,052	3.6%	35.0%	1.3%
Total	\$95,657,552	100.0%		27.4%

Notes:

- (A) From American Modern Insurance Group Annual Statement, Part 1
(B) Under the 1986 Tax Reform Act, 15% of formerly tax-exempt income from securities purchased after August 7, 1986 is now taxable. Thus the estimated effective tax rates in 2011 will be:

Ordinary Income =	35.0%
Tax Exempt Municipal - 35.0% x 15.0% =	5.3%
Stock Dividends (Acquired after 1987) - 40.5% x 35.0% =	14.2%
Stock Dividends (Acquired before 1987) - 30.0% x 35.0% =	10.5%

Investment Income as a Percentage of Invested Assets

1999	4.5%
2000	5.0%
2001	5.2%
2002	5.2%
2003	4.5%
2004	4.3%
2005	4.4%
2006	4.5%
2007	4.6%
2008	4.4%
2009	2.6%
2010	3.2%
Twelve Year Average	4.4%
Latest Six Year Average	3.9%
Latest Year	3.2%
Projected 2011 (12 Year Trend)	3.3%
Projected 2011 (6 Year Trend)	2.7%

Selected 2011 Rate of Return

Before Tax	2.5% *
After Tax [(1-0.274) x 2.5%]	1.8%

* 2.5% selected based on change in investment philosophy due to the purchase of the American Modern Insurance Group by Munich Re. Specifically, Munich Re requires that investments for companies owned should not have "risk". This leads to a lower rate of return than we've seen in the past.

By Line Explanation of Investment Income Calculation

Line A-1

Direct Earned Premium is total limits earned premium for the captioned program written by the American Modern Insurance Group for the latest accident year.

Line A-2, A-3

The mean unearned premium reserve is determined by the average of the latest two years unearned premiums for the American Modern Insurance Group.

Line A-4

Deductions for prepaid expenses:

Production costs and a large portion of other company expenses connected with the writing and handling of insurance policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before premium is paid. Therefore, the deduction of these expenses is determined by use of provisions for expenses used in our ratemaking procedures as shown. These provisions are based on the above referenced company's data as shown in Exhibit 9.

Line A-4 Federal Taxes Payable

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7.0% ($.20 \times .35 = .070$) of the unearned premium reserve.

Line B-1

Delayed remission of premium:

This deduction is necessary due to the delay in collection and remission of premium to the company beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus, and are not available for investment.

Line B-1(c)

Average agent's balances as a percentage of 2010 Direct Unearned Premium (All Lines)

Line C-1

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing. See Exhibit 9.

Line C-3

Mean loss reserve are determined by averaging the reserves at the beginning and ending of the year in question, and dividing by that year's loss and loss adjustment expenses. This ratio is based on countrywide data for the American Modern Insurance Group countrywide data for the American Modern Insurance Group.

Line C-4

The expected mean loss reserve is determined by multiplying the expected incurred losses in Line C-2 by the average ratio of the mean loss & loss adjustment reserves to the incurred losses & loss adjustment expenses from Line C-4. Then an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves is added. The estimated reserve discount is 12% (based on all company data provided by the A.M. Best Company), the federal taxes payable (expressed as a % of reserves) is 4.2% ($.12 \times .35 = .042$), and the appropriate adjustment is .958 ($1.000 - .042 = .958$).

Line E

This rate of return in the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends and real estate income due and accrued) for the American Modern Insurance Group.

Line H-1

The average rate of Federal Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2008 - 2010 for the American Modern Insurance Group. See Page 2 of this exhibit.

American Modern Home Insurance Company
Arkansas
Site Built Dwelling DP-1

Exhibit 11

Complement of Credibility Calculation

	DP-1
(1) Permissible Loss & LAE Ratio	0.498
(2) Proposed Renewal Effective Date	1/1/2013
(3) Effective Date of Current Rates	12/24/2011
(4) Time Period in Years $\{[(2) - (3)] / 365\}$ **	1.000
(5) Annual Premium Trend	-0.2%
(6) Annual Loss Trend	3.8%
(7) Ann Loss Ratio Trend $\{[1 + (6)] / [1 + (5)] - 1\}$	4.0%
(8) Selected Trend Factor $\{[1 + (7)] ^ (4)\}$	1.040
(9) Complement of Credibility = $\{(1) * (8)\}$	0.518

** Capped at a minimum of 0.5 and a maximum of 1 year(s)



7000 Midland Boulevard
Amelia, OH 45102-2602

September 7, 2012

ARKANSAS INSURANCE DEPARTMENT
PROPERTY & CASUALTY DIVISION
1200 W 3RD ST
LITTLE ROCK AR 72201-1904

RE: American Modern Home Insurance Company
NAIC: 361-23469
FEIN: 31-0715697
Dwelling Program
Rate Filing
Company file number: 20120501-03

Dear Commissioner:

On behalf of American Modern Home Insurance Company I would like to present a revision to our Dwelling Program. At this time we are revising our base rates for Owner Occupied, Rental Occupied and Seasonal Occupied programs.

The overall impact of this filing is 13.30%. We feel the proposed rates are neither excessive, inadequate nor unfairly discriminatory. We propose this filing to be effective on or after 01/01/2013 for new business for renewal business. Please contact me at the number below or via email if you have any questions.

Sincerely,
Traci Burbage
State Relations Analyst II
tburbage@amig.com

State:	Arkansas	Filing Company:	American Modern Home Insurance Company
TOI/Sub-TOI:	30.1 Dwelling Fire/Personal Liability/30.1000 Dwelling Fire/Personal Liability		
Product Name:	Dwelling		
Project Name/Number:	Rate revision/20120501-03		

Superceded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
09/11/2012	Supporting Document	NAIC loss cost data entry document	09/20/2012	AR 077 DW FORM RF-1 Rate Filing Abstract.pdf (Superceded)
09/07/2012	Rate	AR077DW	09/20/2012	AR077DW-A.pdf (Superceded)
09/07/2012	Supporting Document	NAIC loss cost data entry document	09/11/2012	AR 077 DW FORM RF-1 Rate Filing Abstract.pdf (Superceded)

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	20120501-03
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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	Company Name		Company NAIC Number
3.	A.	American Modern Home	B. 23469

	Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A.	30.1	B. 30.1000

5.							
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
DP-1	14.9%	13.3%					
TOTAL OVERALL EFFECT	14.9%	13.3%					

6.		5 Year History		Rate Change History			
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2007	975	4.34%	12/1/07	647	341	52.7%	47.0%
2008	996	-1.15%	3/15/08	583	812	139.3%	47.8%
2009	881	5.51%	9/15/09	578	189	32.8%	41.5%
2010	764	0.00%	N/A	525	318	60.7%	42.6%
2011	690	-0.03%	1/1/12	473	300	63.4%	52.4%

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	
B. General Expense	
C. Taxes, License & Fees	
D. Underwriting Profit & Contingencies	
E. Other (Reinsurance Expense)	
F. TOTAL	

8. N/A – this is not a Loss Cost Filing Apply Lost Cost Factors to Future filings? (Y or N)
9. 16.0% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): Territory 60
10. 3.1% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): Territory 60
- PC RLC

<p align="center">ARKANSAS AMERICAN MODERN HOME INSURANCE COMPANY DP1 PROGRAMS</p>

OWNER OCCUPIED, RENTAL OCCUPIED AND SEASONAL OCCUPIED
DP1 Program (4V1/4V2/4V3)
 Fire and Extended Coverage

Product	Flat Base Rate	Cov Relativity	Covg Incr	Base Rate per Incr	Min Prem Amount	Min Rate Value	Min Val Accept	UVRC Code
4V1	\$156.80	1	N/A	N/A	\$100	\$10,000	\$1,000	DU
4V2	\$168.56	1	N/A	N/A	\$100	\$10,000	\$1,000	DU
4V3	\$152.43	1	N/A	N/A	\$100	\$10,000	\$1,000	DU

Territory Relativity Table				
60	61	62	63	64
1.00	1.32	1.32	0.90	0.92

Construction Type Relativity Table	
Frame	Masonry
1.000	0.940

Protection Class Relativity Table									
Class	Factor	Class	Factor	Class	Factor	Class	Factor	Class	Factor
PC 1-3	1.000	PC 4-6	1.100	PC 7-8	1.500	PC 9	2.000	PC 10	2.400

Age of Home Relativity Table		
0-60 yrs	61-80 yrs	81 yrs & older
1.000	1.050	1.100

Age of Insured Relativity Table	
1-64 yrs	65 yrs & older
1.000	0.950

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	20120501-03
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	
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	Company Name		Company NAIC Number
3.	A.	American Modern Home	B. 23469

	Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A.	30.1	B. 30.1000

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
DP-1	14.9%	13.3%					
TOTAL OVERALL EFFECT	14.9%	13.3%					

6.

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2007	975	4.34%	12/1/07	647	341	52.7%	47.0%
2008	996	-1.15%	3/15/08	583	812	139.3%	47.8%
2009	881	5.51%	9/15/09	578	189	32.8%	41.5%
2012	686	-0.03%	1/1/12	468	300	64.1%	57.1%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	
B. General Expense	
C. Taxes, License & Fees	
D. Underwriting Profit & Contingencies	
E. Other (Reinsurance Expense)	
F. TOTAL	

8. N/A – this is not a Loss Cost Filing Apply Lost Cost Factors to Future filings? (Y or N)

9. 16.0% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): Territory 60

10. 3.1% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): Territory 60

PC RLC

U:LossCostDraft/DataEntry.doc